



*Michael C. Schlachter, CFA  
Managing Director*

September 17, 2007

Dr. Russell Read  
Chief Investment Officer  
California Public Employees' Retirement System  
400 P Street, Suite 3492  
Sacramento, CA 95814

Re: Permissible Public Equity Policy

Dear Russell,

You requested Wilshire's opinion regarding the revised policy for the Permissible Equity program for Emerging Markets managers. We believe that the proposed policy accurately reflects both the prior presentations by Staff to the Investment Committee regarding this new method of implementing CalPERS Emerging Markets investment principles, as well as the input from the Investment Committee. We recommend that the Policy Subcommittee and Investment Committee approve the revised policy.

In the new policy, the principles are treated in a similar fashion as the other considerations managers are to include in their investment process, including valuation, style, market capitalization, etc. As Staff outlined to the Investment Committee at several meetings over the past six months, the new approach will encourage managers to give consideration to the implementation of the principles as risk factors within the investment process, but will no longer be formally calculated by Wilshire and the outside data providers as all-or-nothing judgments on each country. We believe that the policy document proposed is consistent with these prior presentations and the Board's direction regarding this new approach to Emerging Markets investing.

If you have any additional questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'Michael Schlachter', is written over a light blue horizontal line.